

Agenda

Discussion topics

- What is the TILA-RESPA Integrated Disclosure Rule?
- Loan Estimate
- Closing Disclosure
- Mortgage timelines and impacts
- What you can do



What is the TILA-RESPA Integrated Disclosure Rule?

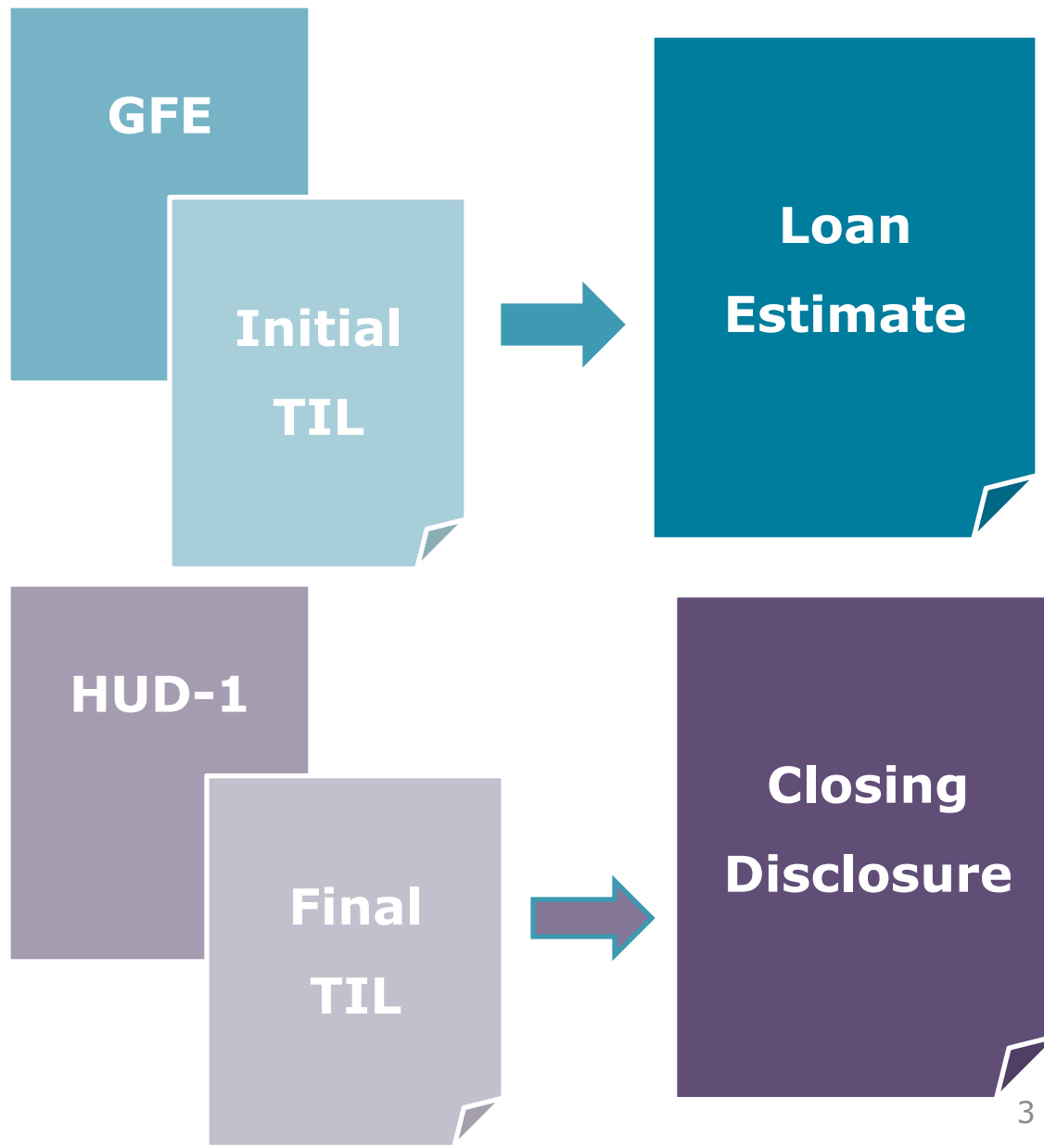
New disclosures

- Applies to all lenders
- Closed-end mortgages only
- Purchase and refinance
- Effective with new loan applications on or after October 3, 2015

Two new disclosures created

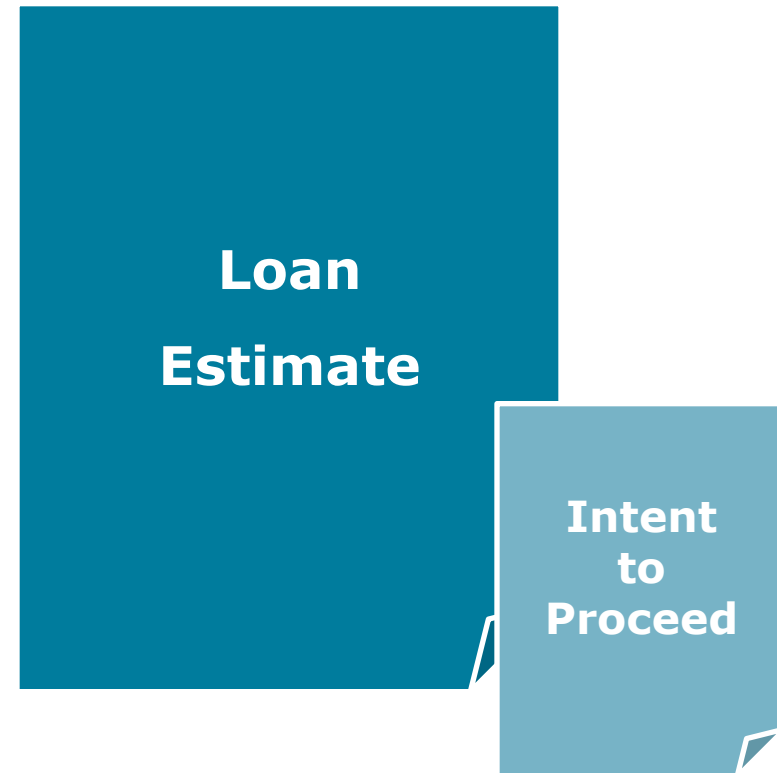
The Consumer Financial Protection Bureau (CFPB) integrated certain mortgage loan disclosures currently required under TILA and RESPA.

- Loan Estimate replaces initial TIL and GFE
- Closing Disclosure replaces final TIL and HUD-1



Loan Estimate

- All lenders must provide the Loan Estimate within three business days of application – either in person, electronically or by mail
- The lender is accountable for the fees disclosed on the Loan Estimate, with some exceptions
- Changes to fees may require a revised Loan Estimate
- The buyer reviews and if accepts the loan terms, provides their intent to proceed and fees are collected
- Lenders may only collect the credit report fee before receiving the buyer's intent to proceed



New Loan Estimate

Projected Payments and Costs at Closing

FICUS BANK
4321 Random Boulevard • Somecity, ST 12340 Save this Loan Estimate to compare with your Closing Disclosure.

Loan Estimate

DATE ISSUED 2/15/2013
APPLICANTS Michael Jones and Mary Stone
123 Anywhere Street
Anytown, ST 12345
PROPERTY 456 Somewhere Avenue
Anytown, ST 12345
SALE PRICE \$180,000

LOAN TERM 30 years
PURPOSE Purchase
PRODUCT Fixed Rate
LOAN TYPE Conventional FHA VA
LOAN ID # 123456789
RATE LOCK NO YES, until 4/16/2013 at 5:00 p.m. EDT
Before closing, your interest rate, points, and lender credits can change unless you lock the interest rate. All other estimated closing costs expire on 3/4/2013 at 5:00 p.m. EDT

Loan Terms	Can this amount increase after closing?	
Loan Amount	\$162,000	NO
Interest Rate	3.875%	NO
Monthly Principal & Interest <small>See Projected Payments below for your Estimated Total Monthly Payment</small>	\$761.78	NO
Does the loan have these features?		
Prepayment Penalty	YES • As high as \$3,240 if you pay off the loan during the first 2 years	
Balloon Payment	NO	

1 **Projected Payments**

Payment Calculation	Years 1-7	Years 8-30
Principal & Interest	\$761.78	\$761.78
Mortgage Insurance	+ 82	+ —
Estimated Escrow <small>Amount can increase over time</small>	+ 206	+ 206
Estimated Total Monthly Payment	\$1,050	\$968

Estimated Taxes, Insurance & Assessments \$206 a month
Amount can increase over time

This estimate includes
 Property Taxes
 Homeowner's Insurance
 Other:
See Section G on page 2 for escrowed property costs. You must pay for other property costs separately.

In escrow?
YES
YES

2 **Costs at Closing**

Estimated Closing Costs	\$8,054	Includes \$5,672 in Loan Costs + \$2,382 in Other Costs – \$0 in Lender Credits. See page 2 for details.
Estimated Cash to Close	\$16,054	Includes Closing Costs. See Calculating Cash to Close on page 2 for details.

Visit www.consumerfinance.gov/mortgage-estimate for general information and tools.

LOAN ESTIMATE PAGE 1 OF 3 • LOAN ID # 123456789

1. Projected Payments

Estimated total monthly payment =
 Estimated payments (P & I)
 + Mortgage insurance (if applicable)
 + Estimated escrow amount
 Estimated taxes, insurance
 and assessments

2. Costs at Closing

Estimates money needed at closing
 More detail on page 2

New Loan Estimate

Page 2 Loan Costs

Closing Cost Details

Loan Costs		Other Costs	
A. Origination Charges	\$3,110	E. Taxes and Other Government Fees	\$152
1 % of Loan Amount (Points)	\$2,110	Recording Fees and Other Taxes	\$152
Application Fee	\$500	Transfer Taxes	
Processing Fee	\$500	F. Prepaids	\$1,352
		Homeowner's Insurance Premium (12 months)	\$1,000
		Mortgage Insurance Premium (months)	
		Prepaid Interest (\$23.44 per day for 15 days @ 4.00%)	\$352
		Property Taxes (months)	
B. Services You Cannot Shop For	\$820	G. Initial Escrow Payment at Closing	
Appraisal Fee	\$305	Homeowner's Insurance	per month for mo.
Credit Report Fee	\$30	Mortgage Insurance	per month for mo.
Flood Determination Fee	\$35	Property Taxes	per month for mo.
Lender's Attorney Fee	\$400		
Tax Status Research Fee	\$50		
C. Services You Can Shop For	\$1,921	H. Other	\$1,436
Pest Inspection Fee	\$125	Title – Owner's Title Policy (optional)	\$1,436
Survey Fee	\$150		
Title – Courier Fee	\$32	I. TOTAL OTHER COSTS (E + F + G + H)	\$2,940
Title – Lender's Title Policy	\$665		
Title – Settlement Agent Fee	\$325	J. TOTAL CLOSING COSTS	\$8,791
Title – Title Search	\$624	D + J	\$8,791
		Lender Credits	
D. TOTAL LOAN COSTS (A + B + C)	\$5,851	Calculating Cash to Close	
		Total Closing Costs (J)	\$8,791
		Closing Costs Financed (Paid from your Loan Amount)	\$0
		Down Payment/Funds from Borrower	\$29,000
		Deposit	– \$10,000
		Funds for Borrower	\$0
		Seller Credits	\$0
		Adjustments and Other Credits	\$0
		Estimated Cash to Close	\$27,791

Adjustable Payment (AP) Table

Interest Only Payments?	YES for your first 60 payments
Optional Payments?	NO
Step Payments?	NO
Seasonal Payments?	NO

Monthly Principal and Interest Payments

First Change/Amount	\$1,028 – \$1,359 at 61st payment
Subsequent Changes	Every three years
Maximum Payment	\$2,068 starting at 169th payment

Adjustable Interest Rate (AIR) Table

Index + Margin	MTA + 4%
Initial Interest Rate	4%
Minimum/Maximum Interest Rate	3.25%/12%
Change Frequency	
First Change	Beginning of 61st month
Subsequent Changes	Every 36th month after first change
Limits on Interest Rate Changes	
First Change	2%
Subsequent Changes	2%

1. Biggest Change for Appraisals

All fees for products and services for which the consumer is unable to shop, have moved into the -0- tolerance category.

2. What this means

The creditor must quote the appraisal fee with -0- tolerance based on the receipt of the six data elements that trigger a TRID application

Changed Circumstances

- Creditor is 100% responsible for determining if “changed circumstances” exist and warrant any fee changes on Loan Estimate.
- To revise Loan Estimate and impose increased charges creditor must provide revised version of Loan Estimate within three business days of receiving information sufficient to establish that permitted basis for change applies.
- Three business-day review period begins again if the APR changes outside of tolerance, or the product or prepayment penalty change

Changed Circumstances

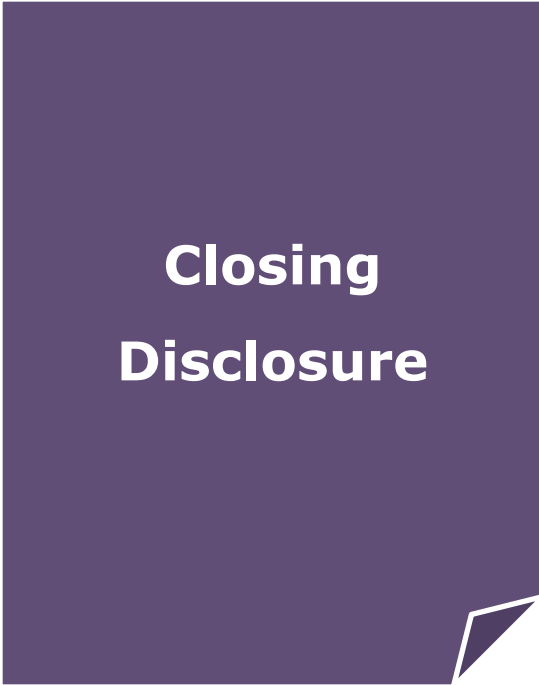
- Permitted changed circumstances include:
 - A. Changed Circumstances Affecting Settlement Charges
 - 1. An “extraordinary” event outside control of an interested party or an “unexpected” event.
 - 2. Information Creditor relied on is inaccurate or changes.
 - 3. New information Creditor discovers after disclosure not relied on.
 - B. Changed Circumstances Affecting Eligibility
 - 1. Changes to the transaction that cause fees to increase related to eligibility – Income decreases, Employment changes, Transaction changes requiring multiple appraisals or appraisal types
 - C. Changed circumstances depend on a change in the information provided by the consumer (6 data elements) or extraordinary or unexpected events (i.e. natural disaster requiring additional inspection charges).

Changed Circumstances

- Important Information about Changed Circumstances:
 - A. The CFPB has been clear that the consumer has the reasonable expectation that the creditor and service providers are the “experts” and should be able to price products and services based on minimal information.
 - B. Pricing products and services before any order is placed is different, harder, but not impossible.
 - C. Creditors may not order any products or services (other than the credit report) prior to obtaining the consumers “Intent to Proceed” which may occur up to 10 days after issuance of the Loan Estimate.
 - D. There are various pricing models that will accommodate all of the requirements and depending on the creditor, appraisers can expect to see any or all of them.

Closing Disclosure

- Closing Disclosure has to be in buyer's hand three business days before closing
- Most creditors will use the "Mailbox Rule" to calculate timing.
- Three business-day review period begins again if the APR changes outside of tolerance, or the product or prepayment penalty change



**Closing
Disclosure**

New Closing Disclosure

Closing Disclosure

This form is a statement of final loan terms and closing costs. Compare this document with your Loan Estimate.

Closing Information		Transaction Information		Loan Information	
Date Issued	4/15/2013	Borrower	Michael Jones and Mary Stone	Loan Term	30 years
Closing Date	4/15/2013		123 Anywhere Street	Purpose	Purchase
Disbursement Date	4/15/2013		Anytown, ST 12345	Product	Fixed Rate
Settlement Agent	Epsilon Title Co.	Seller	Steve Cole and Amy Doe	Loan Type	<input checked="" type="checkbox"/> Conventional <input type="checkbox"/> FHA
File #	12-3456		321 Somewhere Drive	<input type="checkbox"/> VA <input type="checkbox"/>	
Property	456 Somewhere Ave	Lender	Anytown, ST 12345	Loan ID #	123456789
	Anytown, ST 12345		Ficus Bank	MIC #	000654321
Sale Price	\$180,000				

Loan Terms	Can this amount increase after closing?	
Loan Amount	\$162,000	NO
Interest Rate	3.875%	NO
Monthly Principal & Interest <i>See Projected Payments below for your Estimated Total Monthly Payment</i>	\$761.78	NO
Prepayment Penalty	YES	• As high as \$3,240 if you pay off the loan during the first 2 years
Balloon Payment	NO	

Projected Payments			
Payment Calculation	Years 1-7		Years 8-30
Principal & Interest	\$761.78		\$761.78
Mortgage Insurance	+ 82.35		+ —
Estimated Escrow <i>Amount can increase over time</i>	+ 206.13		+ 206.13
Estimated Total Monthly Payment	\$1,050.26		\$967.91

Estimated Taxes, Insurance & Assessments	This estimate includes	In escrow?
\$356.13 a month <i>Amount can increase over time See page 4 for details</i>	<input checked="" type="checkbox"/> Property Taxes	YES
	<input checked="" type="checkbox"/> Homeowner's Insurance	YES
	<input checked="" type="checkbox"/> Other: Homeowner's Association Dues	NO
	<i>See Escrow Account on page 4 for details. You must pay for other property costs separately.</i>	

Costs at Closing		
Closing Costs	\$9,712.10	Includes \$4,694.05 in Loan Costs + \$5,018.05 in Other Costs – \$0 in Lender Credits. <i>See page 2 for details.</i>
Cash to Close	\$14,147.26	Includes Closing Costs. <i>See Calculating Cash to Close on page 3 for details.</i>

3

Loan Calculations	
Total of Payments. Total you will have paid after you make all payments of principal, interest, mortgage insurance, and loan costs, as scheduled.	\$285,803.36
Finance Charge. The dollar amount the loan will cost you.	\$118,830.27
Amount Financed. The loan amount available after paying your upfront finance charge.	\$162,000.00
Annual Percentage Rate (APR). Your costs over the loan term expressed as a rate. This is not your interest rate.	4.174%
Total Interest Percentage (TIP). The total amount of interest that you will pay over the loan term as a percentage of your loan amount.	69.46%

Other Disclosures	
Appraisal If the property was appraised for your loan, your lender is required to give you a copy at no additional cost at least 3 days before closing. If you have not yet received it, please contact your lender at the information listed below.	
Contract Details See your note and security instrument for information about what happens if you fail to make your payments, what is a default on the loan, situations in which your lender can require early repayment of the loan, and the rules for making payments before they are due.	
Liability after Foreclosure If your lender forecloses on this property and the foreclosure does not cover the amount of unpaid balance on this loan, state law may protect you from liability for the unpaid balance. If you refinance or take on any additional debt on this property, you may lose this protection and have to pay any debt remaining even after foreclosure. You may want to consult a lawyer for more information. <input type="checkbox"/> state law does not protect you from liability for the unpaid balance.	

Questions? If you have questions about the loan terms or costs on this form, use the contact information below. To get more information or make a complaint, contact the Consumer Financial Protection Bureau at www.consumerfinance.gov/mortgage-closing

Refinance	
Refinancing this loan will depend on your future financial situation, the property value, and market conditions. You may not be able to refinance this loan.	
Tax Deductions	
If you borrow more than this property is worth, the interest on the loan amount above this property's fair market value is not deductible from your federal income taxes. You should consult a tax advisor for more information.	

Contact Information					
	Lender	Mortgage Broker	Real Estate Broker (B)	Real Estate Broker (S)	Settlement Agent
Name	Ficus Bank		Omega Real Estate Broker Inc.	Alpha Real Estate Broker Co.	Epsilon Title Co.
Address	4321 Random Blvd. Somecity, ST 12340		789 Local Lane Sometown, ST 12345	987 Suburb Ct. Someplace, ST 12340	123 Commerce Pl. Somecity, ST 12344
NMLS ID					
ST License ID			2765416	Z61456	Z61616
Contact	Joe Smith		Samuel Green	Joseph Cain	Sarah Arnold
Contact NMLS ID	12345				
Contact ST License ID			P16415	P51461	PT1234
Email	joesmith@ficusbank.com		sam@omegare.biz	joe@alphare.biz	sarah@epsilontitle.com
Phone	123-456-7890		123-555-1717	321-555-7171	987-555-4321

Confirm Receipt
By signing, you are only confirming that you have received this form. You do not have to accept this loan because you have signed or received this form.

Applicant Signature _____ Date _____ Co-Applicant Signature _____ Date _____
CLOSING DISCLOSURE PAGE 5 OF 5 - LOAN ID # 123456789

1

2

When are the Loan Estimate and Closing Disclosure documents *provided* and *received*?¹

Loan Estimate and Closing Disclosure *provided* to buyers



Delivered face to face



Placed in postal mail



Sent electronically

Loan Estimate and Closing Disclosure *received* by buyer

- Physically in their possession
- Presume received three business days after document is placed in the mail
- Lender obtains evidence that the disclosures were received in fewer than three business days

1. These terms apply to all documents included in this rule.

Valuation Changes at or near Closing

- What you need to know:
 - A. The delivery timeline for the Closing Disclosure is not the same as the delivery timeline for valuation delivery.
 - B. Changes to any valuation products that require consumer delivery and occur within the CD timeline may delay the closing due to Reg B requirements, not TRID.

What can you do?

Manage expectations throughout the process

- Confirm with the creditor or AMC that the desired completion date is feasible
- If there are issues impacting the fee quote, discuss with the AMC or creditor, not the consumer
- Notify creditor or AMC immediately if there are issues accessing the property
- For purchase transactions:
 - Note the contractual closing date and notify interested parties of timing issues
 - Remind Realtors that all contract amendments must be received timely to insure appropriate review
 - Keep creditor or AMC advised of any delays in receiving necessary documents
- Try to be as patient as possible. 😊



Questions?

Thank you for your time.

Penny Reed

Strategy and Financial Reform



This information is for use by mortgage professionals only and is not intended for distribution to consumers or other third parties. Information is accurate as of date of printing and is subject to change without notice.

Wells Fargo Home Mortgage is a division of Wells Fargo Bank, N.A. © 2015 Wells Fargo Bank. N.A. All rights reserved. NMLSR ID 399801.

#107612

Revised 5/15